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295 North Maple Avenue
Basking Ridge, NJ 07920

February 24, 1994

Mr. William F. Caton
Acting Secretary
Federal communications commission
1919 M St. N.W., Room 222
Washington, DC 20554

Dear Mr. Caton:

Re: Docket RM 8408, ~~Docket 78-72~~ and Docket 80-286.

On Thursday, February 24, 1994, Charles Ward, Paul Malandrakis and I met with Suzanne Tetreault and Mark Nadel from the Policy Division of the Common Carrier Bureau in the above referenced proceedings.

Please note that the data for the attached charts were derived from the Long Distance Market Share report published by the Industry Analysis Division dated June 1993. Also note that the chart titled "% USF of Revenue per Minute and Revenue per Minute" was amended to remove AT&T from the title because the data represents IXC industry data rather than AT&T data. AT&T's % USF of AT&T's Revenue Minutes would be higher because our cost per minute is higher.

Two copies of this Notice were submitted to the Secretary of the FCC in accordance with Section 1.1206 of the Commission's Rules.

Sincerely,

Roger L. Riggert
Regulatory Director

Atts.

cc: S. Tetreault
M. Nadel

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

UNIVERSAL SERVICE FUND

ALLOCATION CHANGE

February 24, 1994

BACKGROUND ON USF AND LA ALLOCATION

....CCL RECOVERY OF USF PRIOR TO 4/89.

....COINCIDENT WITH THE CL POOL BECOMING VOLUNTARY AND ESTABLISHMENT OF TRANSITIONAL AND LONG TERM SUPPORT, USF RECOVERY CHANGED FROM CCL RATE TO A PSL RATE.

....AT&T FILED PETITION TO CHANGE USF RECOVERY ON 8/8/89.

....AT&T AGAIN FILED PETITION TO CHANGE USF RECOVERY ON 11/24/93.

....COMMENTS & REPLY COMMENTS ARE COMPLETE.

NEED TO CHANGE USF ALLOCATION

....PSL ALLOCATION ASSIGNS COST TO CUSTOMERS WHO MAKE FEW OR NO CALLS.

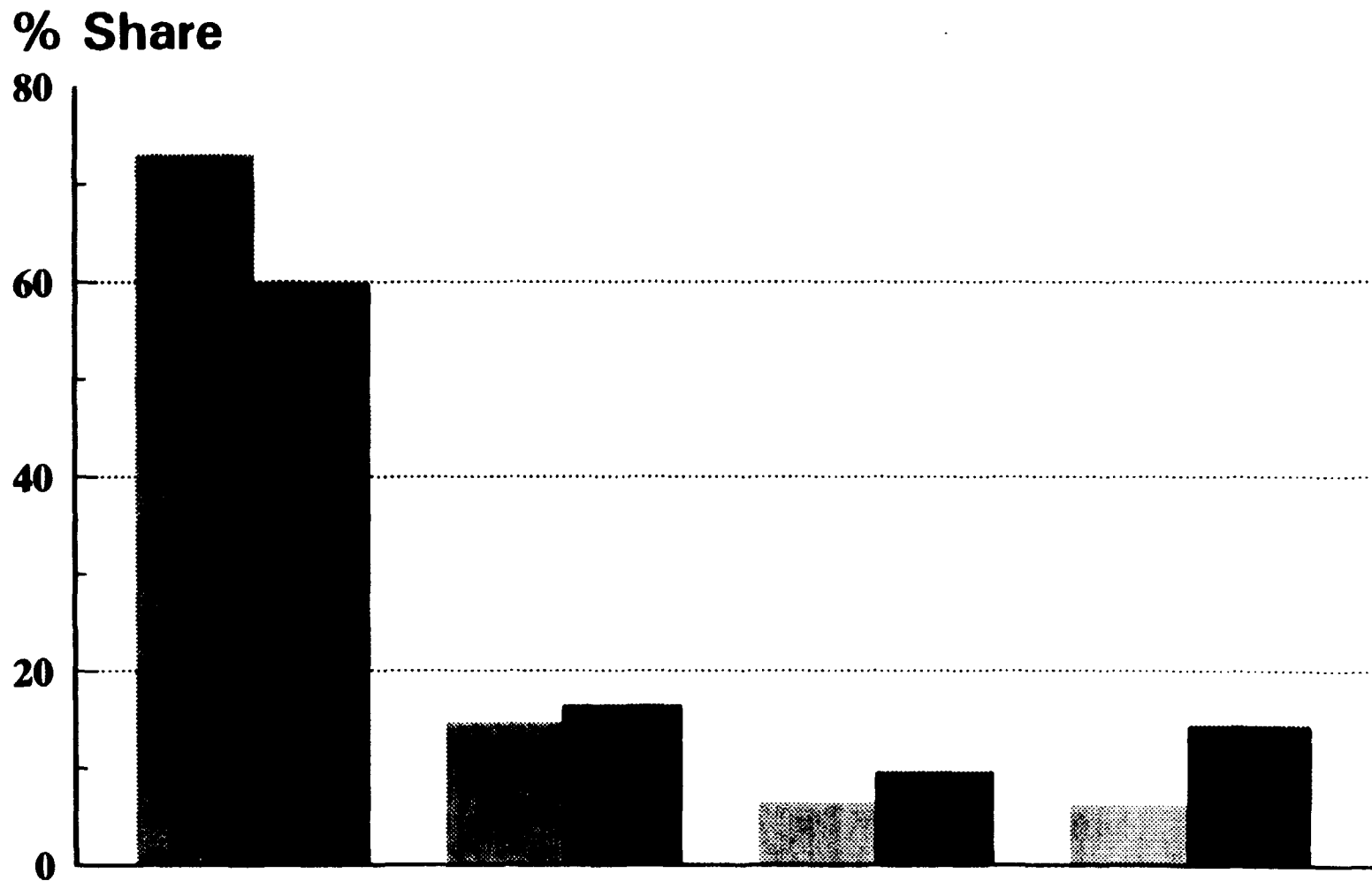
....PSL ALLOCATION, AS A RESULT, DISCOURAGES ANY IXC TO MARKET TO LOW VOLUME CUSTOMERS.


--AT&T, BECAUSE OF HISTORY AND BEING THE CARRIER OF LAST RESORT HAS A DISPROPORTIONATE SHARE OF LOW VOLUME CUSTOMERS.

....PSL ALLOCATION CAUSES AN INEQUITY TO AT&T'S HIGH VOLUME CUSTOMERS WHICH HAS EXISTED SINCE 1989.

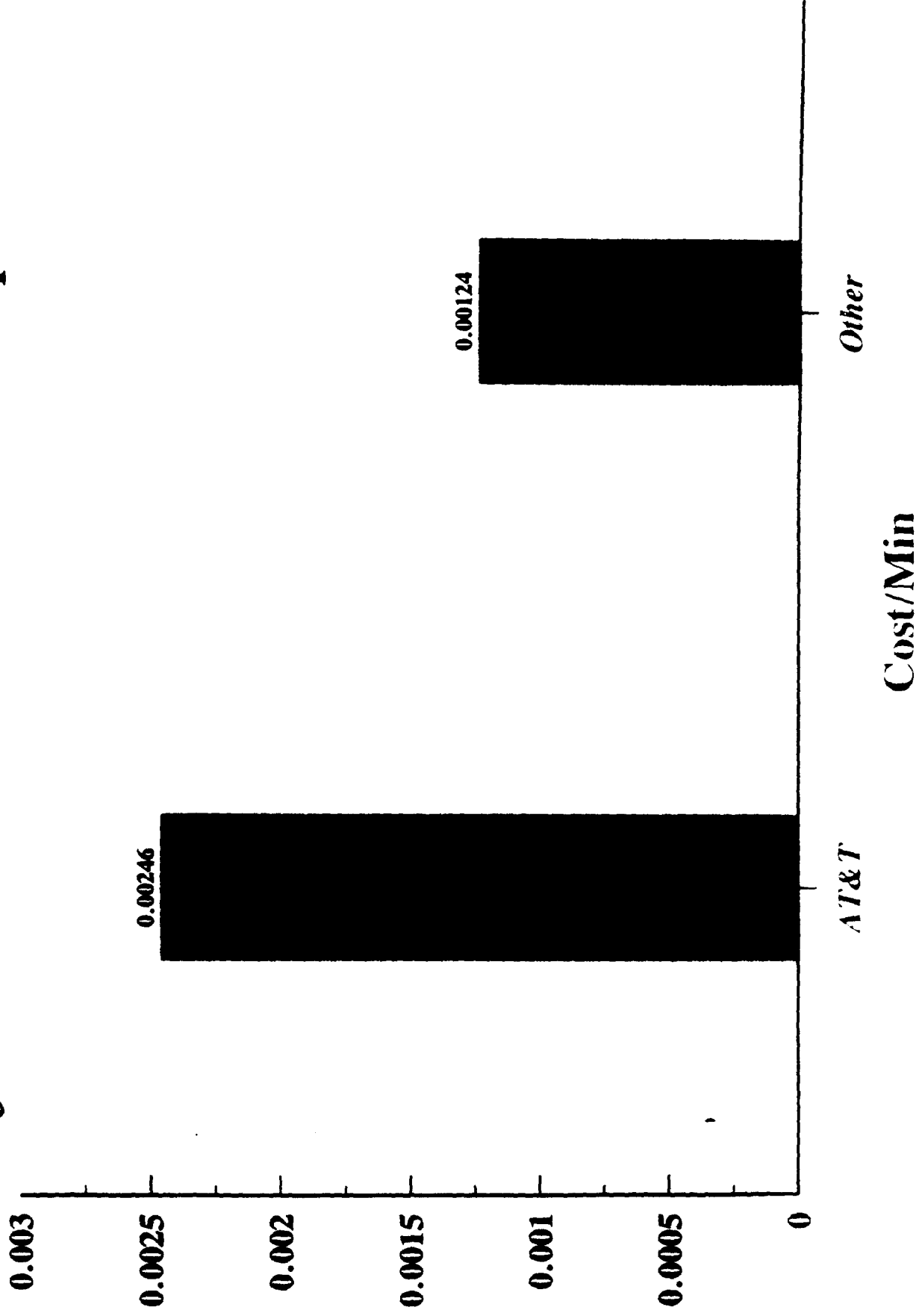
....PSL ALLOCATION ADDS ADDITIONAL PRESSURE TO REDUCE WORK FORCE RELATED EXPENSES.

Comparison of PSL and Revenue Allocation

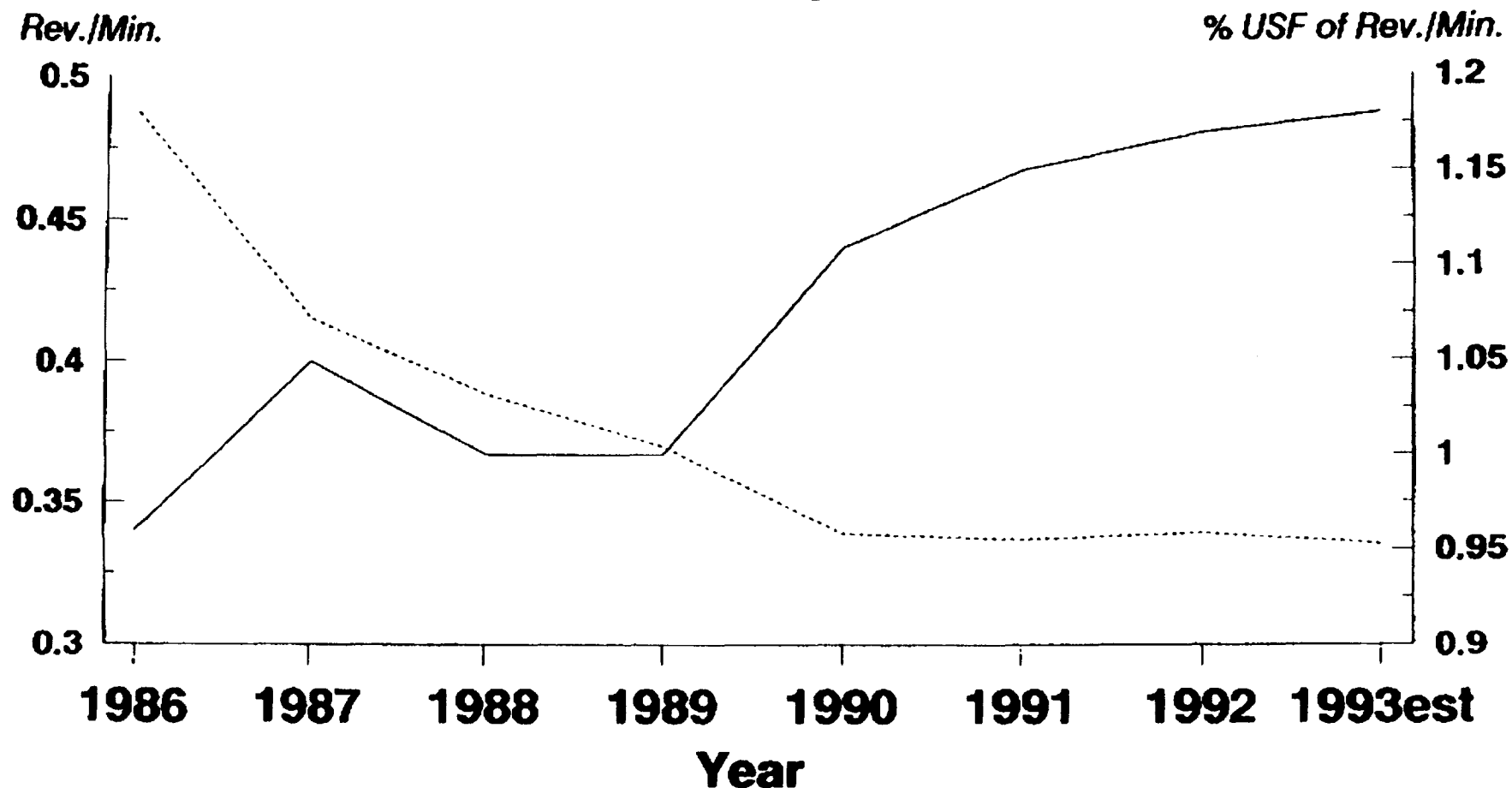


	AT&T	MCI	Sprint	Others
PSL	72.95	14.54	6.38	6.13
REV. 	59.78	16.37	9.53	14.32

Result of PSL Allocation On USF Cost per Minute



Changes in % USF of Revenue per Minute and Revenue per Minute



Rev./Min. % USF of Rev./Min.

THE TIME IS RIGHT TO CHANGE THE USF
ALLOCATION
ON AN INTERIM BASIS

....ALL PARTIES WHO HAVE WEIGHED IN ON THE "UNIVERSAL SERVICE" DEBATE IN GENERAL ADVOCATE A "COMPETITIVELY NEUTRAL" RECOVERY MECHANISM.

....A RECOVERY MECHANISM (DESIGNED FOR TRS) EXISTS. THIS COMPETITIVELY NEUTRAL MECHANISM COULD BE USED FOR USF.

....THE NEED TO CHANGE USF ALLOCATION ON AN INTERIM BASIS IS JUST AS VALID AS THE INTERIM USF CAPPING MECHANISM GRANTED BY THE COMMISSION.

....MAKING INTERIM ALLOCATION CHANGE EFFECTIVE ON 7/1/94 WOULD COINCIDE WITH AT&T'S RECALCULATION OF PCI AS A RESULT OF THE LECs ANNUAL TARIFF FILING.